

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Charter Township of Caledonia
Kent County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended December 31, 2004

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of Caledonia's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended December 31, 2004. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$947,005 (4 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$1,182,628, while net assets of the business-type activities decreased by \$235,623.
- Of the \$26,981,630 total net assets reported, \$17,418,835 (65 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$1,527,572, which represents 177 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's basic financial statements are comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
 - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Because this is the first year of this reporting format, a comparative analysis of the basic financial statements was not practicable. Comparative analyses of the basic financial statements will be made in subsequent years.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as fire and police protection and general government. State shared revenue and property taxes finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer and water systems are reported here as well as its construction code inspection services.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and other revenues.

The Township has three kinds of funds:

- *Governmental funds*. Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- *Proprietary funds.* Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$26,981,630, an increase of 4 percent compared to the prior year. Of this total, \$8,683,752 is invested in capital assets and \$879,042 is restricted for various purposes. Consequently, unrestricted net assets were \$17,418,835, or 65 percent of the total.

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Current assets	\$ 4,786,123	\$ 5,018,250	\$ 9,804,373
Noncurrent assets	<u>2,403,350</u>	<u>29,265,536</u>	<u>31,668,886</u>
Total assets	<u>7,189,473</u>	<u>34,283,786</u>	<u>41,473,259</u>
Current liabilities	1,344,275	907,973	2,252,248
Noncurrent liabilities	<u>19,381</u>	<u>12,220,000</u>	<u>12,239,381</u>
Total liabilities	<u>1,363,656</u>	<u>13,127,973</u>	<u>14,491,629</u>
Net assets:			
Invested in capital assets	1,688,526	6,995,227	8,683,753
Restricted	683,388	195,654	879,042
Unrestricted	<u>3,453,903</u>	<u>13,964,932</u>	<u>17,418,835</u>
Total net assets	<u>\$ 5,825,817</u>	<u>\$ 21,155,813</u>	<u>\$ 26,981,630</u>

Changes in net assets. The Township's total revenues are \$4,426,652. Over 27 percent of the total revenues come from property taxes while only 12 percent come from state shared revenue. Nearly 22 percent come from charges for services, primarily from sewer and water services. In 2004, capital contributions represented 23 percent of the total revenues.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The total cost of all the Township's programs, covering a wide range of services, totaled \$3,479,647. Almost 51 percent of the Township's costs relate to the provision of utility services. General government and public safety account for 18 and 17 percent of the Township's total costs, respectively.

	<u>Governmental activities</u>	<u>Percent</u>	<u>Business- type activities</u>	<u>Percent</u>	<u>Totals</u>	<u>Percent</u>
Program revenues:						
Charges for services	\$ 76,022	3%	\$ 914,115	54%	\$ 990,137	22%
Operating grants	20,324	1%	-	0%	20,324	0%
Capital contributions	844,249	31%	165,491	10%	1,009,740	23%
General revenues:						
Property taxes	1,183,976	43%	-	0%	1,183,976	27%
State shared revenue	520,075	19%	-	0%	520,075	12%
Interest income	54,809	2%	590,589	35%	645,398	15%
Other	27,002	1%	15,000	1%	42,002	1%
Total revenues	<u>2,726,457</u>	100%	<u>1,685,195</u>	100%	<u>4,411,652</u>	100%
Expenses:						
General government	621,781	40%	-	0%	621,781	18%
Public safety	593,654	38%	-	0%	593,654	17%
Community development	156,873	10%	-	0%	156,873	5%
Culture and recreation	82,403	5%	-	0%	82,403	2%
Public works	61,700	5%	-	0%	61,700	2%
Other	27,418	2%	-	0%	27,418	1%
Sewer	-	0%	985,223	51%	985,223	28%
Water	-	0%	778,027	41%	778,027	22%
Inspections	-	0%	157,568	8%	157,568	5%
Total expenses	<u>1,543,829</u>	100%	<u>1,920,818</u>	100%	<u>3,464,647</u>	100%
Increase (decrease) in net assets	<u>\$ 1,182,628</u>		<u>\$ (235,623)</u>		<u>\$ 947,005</u>	

Governmental activities. Governmental activities increased the Township's net assets by \$1,182,628. The key factor for this increase was the December 2004 capital contribution represented by the Kraft Avenue Special Assessment District (see Note 13).

The cost of all governmental activities this year was \$1,543,829. After subtracting the direct charges to those who directly benefited from the programs \$(76,022), and operating grants \$(20,324), and capital grants (\$844,249), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$603,234.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Business-type activities. Business-type activities decreased the Township's net assets by \$235,623. The decrease was primarily the result of the number of existing customers and user rates being insufficient to cover operational costs plus inflation.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds. As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$3,362,423, an increase of \$455,564 in comparison with the prior year. The increase occurred primarily because of increasing revenues and continued budgetary control. The total fund balances of the governmental funds are unreserved, or available for spending at the Board's discretion.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$1,527,572, which represents 177 percent of the actual total General Fund expenditures for the current fiscal year. Total fund balance increased by \$58,088 during the fiscal year because of increased tax revenues and budgetary control.

The Emergency Services Fund experienced an increase in fund balance of \$197,490. The increase was created through increased tax revenues due to increased taxable values and budgetary control.

Proprietary funds. The Sewer Fund experienced an operating loss of \$266,308 and a net decrease in net assets of \$141,069. Net assets were \$11,461,226 at year end.

The Water Fund experienced an operating loss of \$247,604 and a net decrease in net assets of \$163,963. Net assets were \$9,498,933 at year end.

General fund budgetary highlights

The Board did not amend the budgeted expenditures of the General Fund during the year. Total actual expenditures were \$90,055 less than the amount budgeted. We were over budget in one category, general government, because of higher than budgeted expenditures in the Clerk's and Administrative departments. These were not realized due to difficulties experienced with internal reporting.

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2004, amounts to \$21,578,753 (net of accumulated depreciation). This investment includes a broad range of assets, including buildings, fire equipment, and sewer and water facilities. The increase in the Township's net investment in capital assets for the current fiscal year was \$324,442.

Major capital asset events during the current fiscal year included the following:

- Continued expansion of the sewer and water systems totaling \$860,484.
- Fire vehicle improvements totaling \$37,924.

Charter Township of Caledonia
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

More detailed information about the Township's capital assets is presented in Note 6 of the notes to the basic financial statements.

Long-term debt

At the end of the fiscal year, the Township had total noncurrent liabilities outstanding in the amount of \$12,895,000, which represents a decrease of \$1,525,000.

During the year ended December 31, 2004, the Township refunded its 1996 general obligation sewer bonds in an effort to decrease interest costs.

More detailed information about the Township's long-term liabilities is presented in Note 6 of the notes to the basic financial statements.

Economic condition and outlook

The Township's economic condition and outlook remain excellent. Total net assets at the end of the fiscal year were \$26,981,630, an increase of 4% from the prior year. Of this, \$17,418,835, or 65% of the total was unrestricted.

With respect to governmental funds, reductions in state revenue sharing have been offset by budget control and a steady increase in taxable value over and above the Headlee rollback requirements. At year's end the unreserved fund balance of the General Fund, in the amount of \$1,527,572, represented 177% of actual General Fund expenditures.

The Emergency Services Fund, which is funded entirely through a dedicated millage and grants, is healthy as well. The rapidly expanding taxable value has resulted in significant revenue increases from year to year and allowed for substantial capital and operational upgrades. The millage will expire at the end of 2005. At year's end, the fund balance of the Emergency Services Fund, in the amount of \$683,388, represented 122% of actual emergency services expenditures for the year.

Within the proprietary funds, both the sewer and water funds continue to experience operating losses. It is anticipated, however, that the continued addition of customers to both systems while stressing budgetary control will result in a positive cash flow for both systems within the foreseeable future. In addition, the Township intends to review user rates within the sewer and water districts to determine if adjustments are necessary.

Contacting the Township's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Richard Robertson, Township Treasurer
Charter Township of Caledonia
250 Maple Street
Caledonia, MI 49316

Phone: (616) 891-0070

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Charter Township of Caledonia, Michigan**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Caledonia, Michigan, as of December 31, 2004, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Caledonia, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 14, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of January 1, 2004.

The management's discussion and analysis and budgetary comparison information, on pages i through vii, and, 26 through 27, respectively, are not required parts of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Caledonia, Michigan's basic financial statements. The combining nonmajor fund financial statements, as listed in the contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Charter Township of Caledonia, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

July 25, 2005

BASIC FINANCIAL STATEMENTS

Charter Township of Caledonia
STATEMENT OF NET ASSETS
December 31, 2004

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 2,281,366	\$ 5,081,002	\$ 7,362,368
Investments	1,001,720	-	1,001,720
Receivables, net	1,228,957	211,328	1,440,285
Internal balances	<u>274,080</u>	<u>(274,080)</u>	<u>-</u>
Total current assets	<u>4,786,123</u>	<u>5,018,250</u>	<u>9,804,373</u>
Noncurrent assets:			
Receivables, net	714,824	9,113,725	9,828,549
Bond issuance costs, net	-	261,584	261,584
Capital assets, net of accumulated depreciation	<u>1,688,526</u>	<u>19,890,227</u>	<u>21,578,753</u>
Total noncurrent assets	<u>2,403,350</u>	<u>29,265,536</u>	<u>31,668,886</u>
Total assets	<u>7,189,473</u>	<u>34,283,786</u>	<u>41,473,259</u>
LIABILITIES			
Current liabilities:			
Payables	242,551	232,973	475,524
Deferred revenue	1,101,724	-	1,101,724
Bonds payable	<u>-</u>	<u>675,000</u>	<u>675,000</u>
Total current liabilities	<u>1,344,275</u>	<u>907,973</u>	<u>2,252,248</u>
Noncurrent liabilities:			
Compensated absences	19,381	-	19,381
Bonds payable	<u>-</u>	<u>12,220,000</u>	<u>12,220,000</u>
Total noncurrent liabilities	<u>19,381</u>	<u>12,220,000</u>	<u>12,239,381</u>
Total liabilities	<u>1,363,656</u>	<u>13,127,973</u>	<u>14,491,629</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,688,526	6,995,227	8,683,753
Restricted for public safety	683,388	195,654	879,042
Unrestricted	<u>3,453,903</u>	<u>13,964,932</u>	<u>17,418,835</u>
Total net assets	<u>\$ 5,825,817</u>	<u>\$ 21,155,813</u>	<u>\$ 26,981,630</u>

See notes to the financial statements

Charter Township of Caledonia
STATEMENT OF ACTIVITIES
Year ended December 31, 2004

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 27,418	\$ -	\$ -	\$ -
General government	621,781	26,364	-	-
Public safety	593,654	-	-	-
Public works	61,700	22,858	20,324	844,249
Community and economic development	156,873	26,800	-	-
Culture and recreation	82,403	-	-	-
Total governmental activities	<u>1,543,829</u>	<u>76,022</u>	<u>20,324</u>	<u>844,249</u>
Business-type activities:				
Sewer	985,223	386,927	-	400,621
Water	783,781	248,685	-	324,538
Inspections	<u>157,568</u>	<u>225,611</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>1,926,572</u>	<u>861,223</u>	<u>-</u>	<u>725,159</u>
Totals	<u>\$ 3,470,401</u>	<u>\$ 937,245</u>	<u>\$ 20,324</u>	<u>\$ 1,569,408</u>

General revenues:
Property taxes
State shared revenue
Unrestricted interest income
Cable franchise fees
Other
Transfer

Total general revenues and transfer

Change in net assets

Net assets - beginning

Net assets - ending

Net (expense) revenue and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (27,418)		\$ (27,418)
(595,417)		(595,417)
(593,654)		(593,654)
825,731		825,731
(130,073)		(130,073)
<u>(82,403)</u>		<u>(82,403)</u>
 <u>(603,234)</u>		 <u>(603,234)</u>
	\$ (197,675)	(197,675)
	(210,558)	(210,558)
	<u>68,043</u>	<u>68,043</u>
	 <u>(340,190)</u>	 <u>(340,190)</u>
 <u>(603,234)</u>	 <u>(340,190)</u>	 <u>(943,424)</u>
1,183,976	-	1,183,976
520,075	-	520,075
54,809	83,813	138,622
28,902	-	28,902
13,100	5,754	18,854
<u>(15,000)</u>	<u>15,000</u>	<u>-</u>
 <u>1,785,862</u>	 <u>104,567</u>	 <u>1,890,429</u>
1,182,628	(235,623)	947,005
<u>4,643,189</u>	<u>21,391,436</u>	<u>26,034,625</u>
 <u>\$ 5,825,817</u>	 <u>\$ 21,155,813</u>	 <u>\$ 26,981,630</u>

See notes to the financial statements

Charter Township of Caledonia
BALANCE SHEET - governmental funds

December 31, 2004

	<u>Major funds</u>			<u>Total</u>
	<u>General</u>	<u>Emergency Services</u>	<u>Nonmajor funds</u>	<u>governmental funds</u>
ASSETS				
Cash	\$ 540,850	\$ 1,066,601	\$ 673,915	\$ 2,281,366
Investments	511,030	-	490,690	1,001,720
Receivables, net	636,686	498,644	808,451	1,943,781
Due from other funds	274,080	-	-	274,080
Total assets	<u>\$ 1,962,646</u>	<u>\$ 1,565,245</u>	<u>\$ 1,973,056</u>	<u>\$ 5,500,947</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 122,804	\$ 92,403	\$ 27,344	\$ 242,551
Deferred revenue	312,270	789,454	794,249	1,895,973
Total liabilities	<u>435,074</u>	<u>881,857</u>	<u>821,593</u>	<u>2,138,524</u>
Fund balances:				
Unreserved	1,527,572	683,388	-	2,210,960
Unreserved, reported in nonmajor special revenue funds	-	-	1,151,463	1,151,463
Total fund balances	<u>1,527,572</u>	<u>683,388</u>	<u>1,151,463</u>	<u>3,362,423</u>
Total liabilities and fund balances	<u>\$ 1,962,646</u>	<u>\$ 1,565,245</u>	<u>\$ 1,973,056</u>	

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 1,688,526

Certain assets, such as special assessments receivable, are not available to liquidate liabilities of the current period and, therefore, are deferred in the funds. 794,249

Certain liabilities, such as compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. (19,381)

Net assets of *governmental activities* (page 5) \$ 5,825,817

See notes to the financial statements

Charter Township of Caledonia

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended December 31, 2004

	Major funds			Total governmental funds
	General	Emergency Services	Nonmajor funds	
REVENUES				
Property taxes	\$ 445,887	\$ 738,089	\$ -	\$ 1,183,976
Licenses and permits	-	-	28,902	28,902
State grants	520,075	-	20,324	540,399
Charges for services	47,321	-	-	47,321
Interest and rentals	27,626	18,757	14,269	60,652
Other:				
Special assessments	22,858	-	-	22,858
Contributions	-	-	50,975	50,975
Miscellaneous	12,125	-	10,000	22,125
Total revenues	1,075,892	756,846	124,470	1,957,208
EXPENDITURES				
Legislative	27,418	-	-	27,418
General government	590,084	-	119	590,203
Public safety	-	508,254	-	508,254
Public works	30,556	-	31,144	61,700
Community and economic development	155,282	-	-	155,282
Culture and recreation	41,517	-	33,221	74,738
Capital outlay	17,947	51,102	-	69,049
Total expenditures	862,804	559,356	64,484	1,486,644
EXCESS OF REVENUES OVER EXPENDITURES	213,088	197,490	59,986	470,564
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	140,000	140,000
Transfers out	(155,000)	-	-	(155,000)
Total other financing sources (uses)	(155,000)	-	140,000	(15,000)
NET CHANGE IN FUND BALANCES	58,088	197,490	199,986	455,564
FUND BALANCES - BEGINNING	1,469,484	485,898	951,477	2,906,859
FUND BALANCES - ENDING	\$ 1,527,572	\$ 683,388	\$ 1,151,463	\$ 3,362,423

See notes to the financial statements

Charter Township of Caledonia

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended December 31, 2004

Reconciliation of the statement of revenues, expenditures, and changes in fund
balances to the statement of activities.

Net change in fund balances - total governmental funds (page 8)	\$ 455,564
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Amounts reported for *governmental activities* in the statement of activities are
different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over their
estimated useful lives as depreciation expense.

Add - capital outlay	37,924
Deduct - depreciation expense	(95,109)

New special assessments do not provide current financial resources to the
governmental funds, but increases deferred revenue in the funds. Collections
on special assessment receivable is a revenue in the governmental funds, but
the collections reduce long-term receivables in the statement of net assets.

Add - new special assessments	794,249
Deduct - collections on special assessments receivable	<u>(10,000)</u>

Change in net assets of <i>governmental activities</i> (page 6)	<u>\$ 1,182,628</u>
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See notes to the financial statements

Charter Township of Caledonia
STATEMENT OF NET ASSETS - proprietary funds
December 31, 2004

	<u>Major funds</u>		<u>Nonmajor fund</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Building Inspections</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash	\$ 2,529,156	\$ 2,355,755	\$ 196,091	\$ 5,081,002
Receivables, net	172,626	38,702	-	211,328
Due from other funds	-	6,734	-	6,734
Total current assets	<u>2,701,782</u>	<u>2,401,191</u>	<u>196,091</u>	<u>5,299,064</u>
Noncurrent assets:				
Receivables, net	4,175,803	4,937,922	-	9,113,725
Bond issuance costs, net	161,566	100,018	-	261,584
Capital assets, net of accumulated depreciation	<u>11,061,965</u>	<u>8,828,262</u>	<u>-</u>	<u>19,890,227</u>
Total noncurrent assets	<u>15,399,334</u>	<u>13,866,202</u>	<u>-</u>	<u>29,265,536</u>
Total assets	<u>18,101,116</u>	<u>16,267,393</u>	<u>196,091</u>	<u>34,564,600</u>
LIABILITIES				
Current liabilities:				
Payables	158,998	73,538	437	232,973
Due to other funds	223,228	57,586	-	280,814
Bonds payable	<u>353,000</u>	<u>322,000</u>	<u>-</u>	<u>675,000</u>
Total current liabilities	735,226	453,124	437	1,188,787
Noncurrent liabilities:				
Bonds payable	<u>5,904,664</u>	<u>6,315,336</u>	<u>-</u>	<u>12,220,000</u>
Total liabilities	<u>6,639,890</u>	<u>6,768,460</u>	<u>437</u>	<u>13,408,787</u>
NET ASSETS				
Investment in capital assets, net of related debt	4,804,301	2,190,926	-	6,995,227
Unrestricted	<u>6,656,925</u>	<u>7,308,007</u>	<u>195,654</u>	<u>14,160,586</u>
Total net assets	<u>\$ 11,461,226</u>	<u>\$ 9,498,933</u>	<u>\$ 195,654</u>	<u>\$ 21,155,813</u>

See notes to the financial statements

Charter Township of Caledonia

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
proprietary funds**

Year ended December 31, 2004

	<u>Major funds</u>		<u>Nonmajor fund</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Building Inspections</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services:				
Usage fees	\$ 365,917	\$ -	\$ -	\$ 365,917
Metered sales	-	169,799	-	169,799
Licenses and permits	-	-	225,611	225,611
Other	21,010	78,886	-	99,896
Total operating revenues	386,927	248,685	225,611	861,223
OPERATING EXPENSES				
Personnel costs	47,663	48,621	147,948	244,232
Operating supplies	1,722	40,070	-	41,792
Contracted operating and maintenance	248,938	117,921	-	366,859
Professional services	37,101	56,186	2,178	95,465
Miscellaneous	52,724	37,981	7,442	98,147
Depreciation	255,684	189,349	-	445,033
Amortization	9,403	6,161	-	15,564
Total operating expenses	653,235	496,289	157,568	1,307,092
Operating income (loss)	(266,308)	(247,604)	68,043	(445,869)
NONOPERATING REVENUES (EXPENSES)				
Special assessment interest	234,238	272,538	-	506,776
Connection fees	113,491	52,000	-	165,491
Debt service charges	52,892	-	-	52,892
Interest revenue	41,606	40,841	1,366	83,813
Gain (loss) on sale of capital assets	(11,578)	5,754	-	(5,824)
Interest expense	(320,410)	(287,492)	-	(607,902)
Total nonoperating revenues	110,239	83,641	1,366	195,246
Income (loss) before transfer	(156,069)	(163,963)	69,409	(250,623)
Transfer in - General Fund	15,000	-	-	15,000
CHANGE IN NET ASSETS	(141,069)	(163,963)	69,409	(235,623)
NET ASSETS - BEGINNING	11,602,295	9,662,896	126,245	21,391,436
NET ASSETS - ENDING	\$ 11,461,226	\$ 9,498,933	\$ 195,654	\$ 21,155,813

See notes to the financial statements

Charter Township of Caledonia
STATEMENT OF CASH FLOWS - proprietary funds
Year ended December 31, 2004

	<u>Major funds</u>		<u>Nonmajor fund</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Building Inspections</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 384,808	\$ 244,359	\$ 225,611	\$ 854,778
Payments to vendors and suppliers	(261,976)	(239,576)	(23,044)	(524,596)
Payments to employees	(38,951)	(39,986)	(134,524)	(213,461)
Net cash provided by (used in) operating activities	<u>83,881</u>	<u>(35,203)</u>	<u>68,043</u>	<u>116,721</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer in	15,000	-	-	15,000
Decrease in due from other funds	<u>40,248</u>	<u>19,976</u>	<u>-</u>	<u>60,224</u>
Net cash provided by non-capital financing activities	<u>55,248</u>	<u>19,976</u>	<u>-</u>	<u>75,224</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Collections on assessments receivable	641,370	615,200	-	1,256,570
Special assessment interest	11,959	17,893	-	29,852
Connection fees	113,491	52,000	-	165,491
Debt service charges	52,892	-	-	52,892
Proceeds from sale of capital asset	14,000	14,000	-	28,000
Acquisition of capital assets	(569,105)	(291,379)	-	(860,484)
Decrease in accounts payable	(64,087)	(176,012)	-	(240,099)
Principal payments on capital debt	(1,217,750)	(307,250)	-	(1,525,000)
Interest payments on capital debt	(331,916)	(292,211)	-	(624,127)
Payments for bond issuance costs	<u>(46,108)</u>	<u>-</u>	<u>-</u>	<u>(46,108)</u>
Net cash used in capital and related financing activities	<u>(1,395,254)</u>	<u>(367,759)</u>	<u>-</u>	<u>(1,763,013)</u>

See notes to the financial statements

Charter Township of Caledonia
STATEMENT OF CASH FLOWS - proprietary funds (Continued)
Year ended December 31, 2004

	<u>Major funds</u>		<u>Nonmajor fund</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Building Inspections</u>	<u>Totals</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments	\$ 223,221	\$ -	\$ -	\$ 223,221
Interest received	41,606	40,841	1,366	83,813
Net cash provided by investing activities	264,827	40,841	1,366	307,034
NET INCREASE (DECREASE) IN CASH	(991,298)	(342,145)	69,409	(1,264,034)
CASH - BEGINNING	3,520,454	2,697,900	126,682	6,345,036
CASH - ENDING	<u>\$ 2,529,156</u>	<u>\$ 2,355,755</u>	<u>\$ 196,091</u>	<u>\$ 5,081,002</u>
Reconciliation of operating income (loss) net cash provided by operating to				
Operating income (loss)	\$ (266,308)	\$ (247,604)	\$ 68,043	\$ (445,869)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) activities:				
Depreciation	255,684	189,349	-	445,033
Amortization	9,403	6,161	-	15,564
Increase in receivables, net	(2,119)	(4,326)	-	(6,445)
Increase in:				
Payables	41,461	21,217		62,678
Due to other funds	45,760	-	-	45,760
Net cash provided by (used in) operating activities	<u>\$ 83,881</u>	<u>\$ (35,203)</u>	<u>\$ 68,043</u>	<u>\$ 116,721</u>

See notes to the financial statements

Charter Township of Caledonia
STATEMENT OF FIDUCIARY NET ASSETS - *agency funds*
December 31, 2004

ASSETS

Cash	\$ 313,979
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LIABILITIES

Due to other governmental units	\$ 313,979
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See notes to the financial statements

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Caledonia, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Emergency Services Fund accounts for the financial resources used for the operational costs of the Township's public safety functions. Revenues are primarily derived from property taxes.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection systems.

The Water Fund accounts for the activities of the Township's water distribution system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports a fiduciary fund, its Tax Collection Fund, which accounts for assets held by the Township as an agent for other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., sewer and water systems), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	3 - 5 years
Sewer and water systems	50 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, taxes have been deferred from recognition as revenue until the following year.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations:

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	\$572,156	\$590,084	\$ (17,928)

NOTE 3 - CASH AND INVESTMENTS:

The Township's cash and investments are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash on hand	\$ 200	\$ -	\$ -	\$ 200
Deposits	2,281,166	5,081,002	313,979	7,676,147
Investments	<u>1,001,720</u>	<u>-</u>	<u>-</u>	<u>1,001,720</u>
	<u>\$ 3,283,086</u>	<u>\$ 5,081,002</u>	<u>\$ 313,979</u>	<u>\$ 8,678,067</u>

Deposits:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At December 31, 2004, the Township has deposits with a carrying amount of \$7,676,147 and a bank balance of \$8,746,977. Of the bank balance, \$857,008 is covered by federal depository insurance and \$7,899,969 is uninsured.

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act. Not more than 50% of any mutual fund may be invested in commercial paper. The Township's investments consist of holdings in the Kent County Investment Pool, which are nonrisk-categorized qualifying investments, and are carried at cost, which approximates fair market value.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year-end for the Township's individual major funds and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Intergovern- mental</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Totals</u>
Governmental activities:					
General Fund	\$ 252,044	\$ 181,644	\$ 202,998	\$ -	\$ 636,686
Emergency Services Fund	-	-	498,644	-	498,644
Nonmajor governmental funds	<u>14,202</u>	<u>-</u>	<u>-</u>	<u>794,249</u>	<u>808,451</u>
Total governmental activities	<u>\$ 266,246</u>	<u>\$ 181,644</u>	<u>\$ 701,642</u>	<u>\$ 794,249</u>	<u>\$ 1,943,781</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 714,824</u>	<u>\$ 714,824</u>
Business-type activities:					
Sewer Fund	\$ 36,013	\$ -	\$ -	\$ 4,312,416	\$ 4,348,429
Water Fund	<u>12,501</u>	<u>-</u>	<u>-</u>	<u>4,964,123</u>	<u>4,976,624</u>
Total business-type activities	<u>\$ 48,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,276,539</u>	<u>\$ 9,325,053</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,113,725</u>	<u>\$ 9,113,725</u>

NOTE 5 - DEFERRED REVENUE:

Governmental funds report deferred revenues in connection with resources that are not considered to be available to liquidate liabilities of the current period. The Township's unavailable revenues consist of special assessments that are being used to finance a road improvement project.

Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The Township's unearned revenues consist of property taxes levied December 1, 2004 that will finance expenditures of the following year.

At the end of the current fiscal year, the various components of deferred revenues are as follows:

<u>Fund</u>	<u>Unearned</u>	<u>Unavailable</u>	<u>Totals</u>
General	\$ 312,270	\$ -	\$ 312,270
Emergency Services	789,454	-	789,454
Nonmajor fund	<u>-</u>	<u>794,249</u>	<u>794,249</u>
Totals	<u>\$ 1,101,724</u>	<u>\$ 794,249</u>	<u>\$ 1,895,973</u>

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2004, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 282,712	\$ -	\$ -	\$ 282,712
Capital assets being depreciated:				
Buildings	557,900	-	-	557,900
Vehicles	1,228,851	37,924	-	1,266,775
Equipment	194,913	-	-	194,913
Total capital assets being depreciated	1,981,664	37,924	-	2,019,588
Less accumulated depreciation:				
Buildings	130,725	5,906	-	136,631
Vehicles	319,740	62,183	-	381,923
Equipment	68,200	27,020	-	95,220
Total accumulated depreciation	518,665	95,109	-	613,774
Governmental activities capital assets, net	\$ 1,745,711	\$ (57,185)	\$ -	\$ 1,688,526
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$ 11,834,095	\$ 569,105	\$ -	\$ 12,403,200
Water system	9,198,768	291,379	-	9,490,147
Buildings and equipment	349,637	-	48,319	301,318
Total capital assets being depreciated	21,382,500	860,484	48,319	22,194,665
Less accumulated depreciation:				
Sewer system	1,336,804	249,031	-	1,585,835
Water system	486,291	187,731	-	674,022
Buildings and equipment	50,805	8,271	14,495	44,581
Total accumulated depreciation	1,873,900	445,033	14,495	2,304,438
Business-type activities capital assets, net	\$ 19,508,600	\$ 415,451	\$ 33,824	\$ 19,890,227

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 21,868
Public safety	72,222
Culture and recreation	<u>1,019</u>
 Total governmental activities	 <u>\$ 95,109</u>

NOTE 7 - NONCURRENT LIABILITIES:

At December 31, 2004, noncurrent liabilities consist of the following individual issues:

Business-type activities:

Bonds and notes:

\$1,190,000 2001 Sewer system refunding bonds - payable in annual installments ranging from \$65,000 to \$100,000, plus interest at 4.0% to 6.0%; final payment due May 2014	\$ 900,000
 \$9,000,000 2001 Public improvement special assessment bonds - payable in annual installments ranging from \$400,000 to \$500,000, plus interest at 3.15% to 6.00%; final payment due November 2020	 7,800,000
 \$2,650,000 2003 Capital improvement bonds - payable in annual installments ranging from \$75,000 to \$175,000, plus interest at 2.5% to 4.5%; final payment due November 2022	 2,575,000
 \$1,620,00 2004 Sewer system refunding bonds - payable in annual installments ranging from \$100,000 to \$180,000, plus interest at 2.0% to 4.0%; final payment due November 2015	 <u>1,620,000</u>
 Total business-type activities noncurrent liabilities	 <u>\$ 12,895,000</u>

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS (Continued):

Noncurrent liability activity for the year ended December 31, 2004, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Business-type activities:					
1996 Sewer bonds	\$ 2,595,000	\$ -	\$ (2,595,000)	\$ -	\$ -
2001 Sewer refunding bonds	975,000	-	(75,000)	900,000	75,000
2001 Public improvement bonds	8,200,000	-	(400,000)	7,800,000	400,000
2003 Capital improvement bonds	2,650,000	-	(75,000)	2,575,000	100,000
2004 Sewer refunding bonds	-	1,620,000	-	1,620,000	100,000
Total business-type activities	<u>\$ 14,420,000</u>	<u>\$ 1,620,000</u>	<u>\$ (3,145,000)</u>	<u>\$ 12,895,000</u>	<u>\$ 675,000</u>

At December 31, 2004, debt service requirements were as follows:

<i>Year ended December 31,</i>	<i>Business-type activities</i>	
	<i>Principal</i>	<i>Interest</i>
2005	\$ 675,000	\$ 523,672
2006	690,000	487,788
2007	805,000	464,525
2008	815,000	436,125
2009	875,000	407,575
2010 - 2014	4,480,000	1,546,550
2015 - 2019	3,530,000	697,600
2020 - 2024	<u>1,025,000</u>	<u>70,550</u>
Totals	<u>\$ 12,895,000</u>	<u>\$ 4,634,385</u>

All debt is secured by the full faith and credit of the Township.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - PAYABLES:

Payables as of year-end for the Township's individual major funds and nonmajor funds, in the aggregate, are as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental activities:				
General	\$ 108,998	\$ 13,806	\$ -	\$ 122,804
Emergency Services	58,565	38,838	-	97,403
Nonmajor funds	-	-	-	-
Total governmental activities	<u>\$ 167,563</u>	<u>\$ 52,644</u>	<u>\$ -</u>	<u>\$ 220,207</u>
Business-type activities:				
Sewer	\$ 114,406	\$ -	\$ 44,592	\$ 158,998
Water	28,540	-	44,998	73,538
Nonmajor fund	437	-	-	437
Total business-type activities	<u>\$ 143,383</u>	<u>\$ -</u>	<u>\$ 89,590</u>	<u>\$ 232,973</u>

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At December 31, 2004, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
		Sewer	\$ 216,494
		Water	<u>57,586</u>
General	\$ 274,080		274,080
Water	<u>6,734</u>	Sewer	<u>6,734</u>
Totals	<u>\$ 280,814</u>	Totals	<u>\$ 280,814</u>

The amounts payable to the General Fund represent advances used to finance sewer operating costs, in the amount of \$182,526 and capital acquisitions, in the amount of \$91,554. The balances are not scheduled to be collected in the subsequent year.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):

The interfund transfers for the year ended December 31, 2004, are as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Nonmajor governmental funds	\$ 140,000		
Sewer Fund	<u>15,000</u>		
	\$ <u>155,000</u>	General	\$ <u>155,000</u>

These transfers moved unrestricted revenues, collected in the General Fund, to other funds for various purposes. The transfer to the Sewer Fund financed current operating costs. The transfers to the nonmajor governmental funds are intended to finance future costs associated with the construction of a library building and park and road improvements.

NOTE 10 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 5% of each qualified employee's compensation to the plan and matches any employee contributions up to 5% of the employee's compensation. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made the required contributions of \$50,773 for the year ended December 31, 2004.

NOTE 12 - CONTINGENCY:

The Township is contingently liable for payback payments to the developer of the Gordon Grove Special Assessment District. In accordance with the development agreement, the Township must make payback payments when additional customers connect to the utility systems. At December 31, 2004, the Township is contingently liable for payments to the developer of approximately \$464,200. This agreement terminates on July 1, 2028.

Charter Township of Caledonia
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 - SUBSEQUENT EVENT:

Subsequent to the end of the fiscal year, the Township issued special assessment bonds, in the amount of \$715,000. The bond proceeds will be used to finance the Kraft Avenue road improvement project. The bonds will be repaid through the collection of special assessments, in the amount of \$794,249, that were approved in December, 2004.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective January 1, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

Net assets as previously reported:	
General and special revenue funds	\$ 2,906,859
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,745,711
Certain receivables are not available in the current period and, therefore, are deferred in the funds.	10,000
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(19,381)</u>
Net assets, as restated	<u>\$ 4,643,189</u>

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Caledonia**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended December 31, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 434,000	\$ 434,000	\$ 445,887	\$ 11,887
State grants	430,000	430,000	520,075	90,075
Charges for services	26,800	26,800	47,321	20,521
Interest and rentals	37,000	37,000	27,626	(9,374)
Other:				
Special assessments	20,925	20,925	22,858	1,933
Miscellaneous	6,700	6,700	12,125	5,425
Total revenues	<u>955,425</u>	<u>955,425</u>	<u>1,075,892</u>	<u>120,467</u>
EXPENDITURES				
Legislative	35,598	35,598	27,418	8,180
General government	572,156	572,156	590,084	(17,928)
Public works	57,625	57,625	30,556	27,069
Community and economic development	216,397	216,397	155,282	61,115
Culture and recreation	41,583	41,583	41,517	66
Capital outlay	29,500	29,500	17,947	11,553
Total expenditures	<u>952,859</u>	<u>952,859</u>	<u>862,804</u>	<u>90,055</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,566	2,566	213,088	210,522
OTHER FINANCING USES				
Transfers to other funds	<u>(155,000)</u>	<u>(155,000)</u>	<u>(155,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(152,434)	(152,434)	58,088	210,522
FUND BALANCES - BEGINNING	<u>1,469,484</u>	<u>1,469,484</u>	<u>1,469,484</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,317,050</u>	<u>\$ 1,317,050</u>	<u>\$ 1,527,572</u>	<u>\$ 210,522</u>

Charter Township of Caledonia**BUDGETARY COMPARISON SCHEDULE - Emergency Services Fund**

Year ended December 31, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 735,500	\$ 735,500	\$ 738,089	\$ 2,589
Interest	<u>10,000</u>	<u>10,000</u>	<u>18,757</u>	<u>8,757</u>
Total revenues	<u>745,500</u>	<u>745,500</u>	<u>756,846</u>	<u>11,346</u>
EXPENDITURES				
Public safety:				
Fire protection	421,412	421,412	300,509	120,903
Police protection	238,500	238,500	207,745	30,755
Capital outlay	<u>103,000</u>	<u>103,000</u>	<u>51,102</u>	<u>51,898</u>
Total expenditures	<u>762,912</u>	<u>762,912</u>	<u>559,356</u>	<u>203,556</u>
NET CHANGE IN FUND BALANCES	(17,412)	(17,412)	197,490	214,902
FUND BALANCES - BEGINNING	<u>485,898</u>	<u>485,898</u>	<u>485,898</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 468,486</u>	<u>\$ 468,486</u>	<u>\$ 683,388</u>	<u>\$ 214,902</u>

SUPPLEMENTARY INFORMATION

Charter Township of Caledonia**COMBINING BALANCE SHEET - nonmajor governmental funds**

March 31, 2005

	<i>Special revenue funds</i>			
	<i>Street Improvement</i>	<i>Parks and Recreation</i>	<i>Cable Television</i>	<i>Public Improvement</i>
ASSETS				
Cash	\$ 290,001	\$ 242,985	\$ 5,452	\$ 84,348
Investments	-	-	-	-
Receivables (net)	<u>794,249</u>	<u>-</u>	<u>14,202</u>	<u>-</u>
Total assets	<u>\$ 1,084,250</u>	<u>\$ 242,985</u>	<u>\$ 19,654</u>	<u>\$ 84,348</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 17,560	\$ -	\$ 3,569	\$ -
Deferred revenue	<u>794,249</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	811,809	-	3,569	-
Fund balances - unreserved, undesignated	<u>272,441</u>	<u>242,985</u>	<u>16,085</u>	<u>84,348</u>
Total liabilities and fund balances	<u>\$ 1,084,250</u>	<u>\$ 242,985</u>	<u>\$ 19,654</u>	<u>\$ 84,348</u>

<u>Library</u>	<u>Cemetery</u>	<u>Total other governmental funds</u>
\$ 4,993	\$ 46,136	\$ 673,915
490,690	-	490,690
<u>-</u>	<u>-</u>	<u>808,451</u>
<u>\$ 495,683</u>	<u>\$ 46,136</u>	<u>\$ 1,973,056</u>
\$ 6,215	\$ -	\$ 27,344
<u>-</u>	<u>-</u>	<u>794,249</u>
6,215	-	821,593
<u>489,468</u>	<u>46,136</u>	<u>1,151,463</u>
<u>\$ 495,683</u>	<u>\$ 46,136</u>	<u>\$ 1,973,056</u>

Charter Township of Caledonia**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2005

	Special revenue funds			
	<u>Street Improvement</u>	<u>Parks and Recreation</u>	<u>Cable Television</u>	<u>Public Improvement</u>
REVENUES				
Licenses and permits	\$ -	\$ -	\$ 28,902	\$ -
State grant	20,324	-	-	-
Interest	2,192	2,011	111	935
Other:				
Contributions	50,000	-	-	-
Miscellaneous	-	-	-	10,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>72,516</u>	<u>2,011</u>	<u>29,013</u>	<u>10,935</u>
EXPENDITURES				
General government	-	-	-	-
Public works	31,144	-	-	-
Culture and recreation	-	-	26,177	-
Capital outlay	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>31,144</u>	<u>-</u>	<u>26,177</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	41,372	2,011	2,836	10,935
OTHER FINANCING SOURCES				
Transfers from General Fund	<u>65,000</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	106,372	27,011	2,836	10,935
FUND BALANCES - BEGINNING	<u>166,069</u>	<u>215,974</u>	<u>13,249</u>	<u>73,413</u>
FUND BALANCES - ENDING	<u>\$ 272,441</u>	<u>\$ 242,985</u>	<u>\$ 16,085</u>	<u>\$ 84,348</u>

<u>Library</u>	<u>Cemetery</u>	<u>Total other governmental funds</u>
\$ -	\$ -	\$ 28,902
-	-	20,324
7,737	1,283	14,269
975	-	50,975
-	-	10,000
<u>8,712</u>	<u>1,283</u>	<u>124,470</u>
-	119	119
-	-	31,144
7,044	-	33,221
-	-	-
<u>7,044</u>	<u>119</u>	<u>64,484</u>
1,668	1,164	59,986
<u>50,000</u>	<u>-</u>	<u>140,000</u>
51,668	1,164	199,986
<u>437,800</u>	<u>44,972</u>	<u>951,477</u>
<u>\$ 489,468</u>	<u>\$ 46,136</u>	<u>\$ 1,151,463</u>